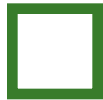


PERAC AUDIT REPORT



Taunton Contributory
Retirement System
JAN. 1, 2005 - DEC. 31, 2007



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	3
Statement of Changes in Fund Balances	4
Statement of Receipts.....	5
Statement of Disbursements.....	6
Investment Income	7
Schedule of Allocation of Investments Owned.....	8
Supplementary Investment Regulations	9
<u>Notes to Financial Statements:</u>	
Note 1 - Summary of Plan Provisions	12
Note 2 - Significant Accounting Policies	19
Note 3 - Supplementary Membership Regulations.....	20
Note 4 - Administration of the System	22
Note 5 - Actuarial Valuation and Assumptions.....	23
Note 6 - Membership Exhibit.....	24

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*

MARY ANN BRADLEY | PAUL V. DOANE | KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS

JOSEPH E. CONNARTON, *Executive Director*

September 17, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Taunton Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of that noted in the finding presented in this report.

In closing, I acknowledge the work of examiners John Shea and Carol Niemira who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDING AND RECOMMENDATION

Retirement Deductions

Auditors sampled a recent payroll of Taunton Housing Authority members to determine that correct percentages for retirement deductions are being withheld and that the additional 2% is withheld from those members who make over \$30,000 annually and became members on or after January 1, 1979. Retirement deductions for two members were found to be incorrect. These two employees receive a set amount of on-call wages on a regular, recurring basis, regardless of whether any hours are actually worked during the on-call period. These wages are paid separately from other weekly compensation. Although base retirement deductions are withheld correctly, the additional 2% is not withheld from on-call wages, because the 2% calculation is not based upon combined, total compensation for that pay period.

Recommendation: The Board must comply with G.L. c. 32, § 22(1)(b), and PERAC Memo #43/1999, which directs that the additional 2% deductions be withheld on total regular income over \$30,000 on a per pay-period basis; for example, in excess of \$576.92 per week. The administrator should instruct the Housing Authority payroll officer to include on-call wages, as well as any other qualifying wages paid separately, with all regular compensation earned during a single pay period, before calculating the additional 2% deduction. One possible solution is to issue only one weekly pay check combining all earnings subject to retirement deductions.

Board Response: The Board has contacted the Taunton Housing Authority and the calculation of the 2% deductions for those employees who receive on-call wages has been corrected.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding this finding.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$1,297,397	\$2,646,129	\$2,147,955
Short Term Investments	0	488,593	0
Fixed Income Securities	0	13,274,616	18,435,265
Equities	73,645,054	81,858,200	74,041,747
Pooled Domestic Equity Funds	17,582,914	0	0
Pooled International Equity Funds	28,878,725	25,762,712	21,015,557
Pooled Global Fixed Income Funds	44,485,111	28,263,715	27,002,625
Pooled Alternative Investment Funds	3,466,562	2,406,351	1,536,090
Pooled Real Estate Funds	14,807,410	16,088,229	8,076,196
Interest Due and Accrued	9,398	170,710	257,158
Accounts Receivable	8,053,065	8,000,446	7,009,143
Accounts Payable	(207,503)	(872,464)	(147,770)
Total	<u>\$192,018,135</u>	<u>\$178,087,235</u>	<u>\$159,373,967</u>
Fund Balances:			
Annuity Savings Fund	\$49,066,054	\$46,702,573	\$43,636,973
Annuity Reserve Fund	14,249,740	13,707,398	13,465,274
Pension Fund	11,691	19,420	11,552
Military Service Fund	0	0	0
Expense Fund	12,796,036	14,354,693	16,296,754
Pension Reserve Fund	115,894,614	103,303,152	85,963,414
Total	<u>\$192,018,135</u>	<u>\$178,087,235</u>	<u>\$159,373,967</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Begining Balance (2005)	\$41,007,018	\$12,773,541	\$17,313,526	\$10,381	\$0	\$79,396,156	\$150,500,623
Receipts	4,990,848	385,911	10,576,651	1,171	1,220,463	6,540,767	23,715,811
Interfund Transfers	(1,950,354)	1,939,434	(15,570)	0	0	26,491	(0)
Disbursements	(410,538)	(1,633,612)	(11,577,854)	0	(1,220,463)	0	(14,842,467)
Ending Balance (2005)	43,636,973	13,465,274	16,296,754	11,552	0	85,963,414	159,373,967
Receipts	5,287,098	403,567	10,686,758	7,868	1,381,284	17,342,300	35,108,874
Interfund Transfers	(1,571,582)	1,587,689	(13,544)	0	0	(2,562)	0
Disbursements	(649,917)	(1,749,131)	(12,615,275)	0	(1,381,284)	0	(16,395,606)
Ending Balance (2006)	46,702,573	13,707,398	14,354,693	19,420	0	103,303,152	178,087,235
Receipts	5,192,088	421,382	11,417,831	74	1,594,655	12,590,097	31,216,126
Interfund Transfers	(2,021,819)	2,031,733	(3,476)	(7,803)	0	1,365	(0)
Disbursements	(806,787)	(1,910,773)	(12,973,012)	0	(1,594,655)	0	(17,285,226)
Ending Balance (2007)	<u>\$49,066,054</u>	<u>\$14,249,740</u>	<u>\$12,796,036</u>	<u>\$11,691</u>	<u>\$0</u>	<u>\$115,894,614</u>	<u>\$192,018,135</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$4,610,076	\$4,488,502	\$4,106,557
Transfers from Other Systems	177,787	324,236	413,950
Member Make Up Payments and Re-deposits	99,750	128,739	120,935
Member Payments from Rollovers	33,849	89,914	110,965
Investment Income Credited to Member Accounts	270,625	255,707	238,441
Sub Total	5,192,088	5,287,098	4,990,848
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	421,382	403,567	385,911
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	289,005	281,856	264,092
Pension Fund Appropriation	540,387	575,119	987,893
	10,588,439	9,829,783	9,324,667
Sub Total	11,417,831	10,686,758	10,576,651
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	7,799	1,108
Investment Income Credited to the Military Service Fund	74	69	62
Sub Total	74	7,868	1,171
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	1,594,655	1,381,284	1,220,463
Sub Total	1,594,655	1,381,284	1,220,463
Pension Reserve Fund:			
Federal Grant Reimbursement	29,929	27,891	31,010
Pension Reserve Appropriation	4,153	4,153	4,153
Interest Not Refunded	46,417	4,258	4,634
Miscellaneous Income	0	0	0
Excess Investment Income	12,509,599	17,305,998	6,500,971
Sub Total	12,590,097	17,342,300	6,540,767
Total Receipts	\$31,216,126	\$35,108,874	\$23,715,811

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$480,859	\$364,979	\$300,476
Transfers to Other Systems	<u>325,928</u>	<u>284,938</u>	<u>110,062</u>
Sub Total	<u>806,787</u>	<u>649,917</u>	<u>410,538</u>
Annuity Reserve Fund:			
Annuities Paid	1,863,173	1,749,039	1,620,705
Option B Refunds	<u>47,600</u>	<u>93</u>	<u>12,907</u>
Sub Total	<u>1,910,773</u>	<u>1,749,131</u>	<u>1,633,612</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	8,810,350	8,434,366	7,950,869
Survivorship Payments	670,051	574,032	566,231
Ordinary Disability Payments	202,653	186,813	157,959
Accidental Disability Payments	2,052,563	2,145,905	1,692,748
Accidental Death Payments	390,706	387,903	310,952
Section 101 Benefits	94,289	93,774	88,922
3 (8) (c) Reimbursements to Other Systems	251,782	239,515	228,495
State Reimbursable COLA's Paid	462,773	512,036	538,347
Chapter 389 Beneficiary Increase Paid	<u>37,845</u>	<u>40,929</u>	<u>43,330</u>
Sub Total	<u>12,973,012</u>	<u>12,615,275</u>	<u>11,577,854</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	154,625	136,065	120,363
Legal Expenses	70,835	50,510	47,501
Medical Expenses	0	0	0
Travel Expenses	6,718	9,852	5,474
Administrative Expenses	26,815	19,183	16,743
Furniture and Equipment	18,928	333	4,760
Management Fees	1,122,573	1,024,359	895,866
Custodial Fees	49,348	44,066	41,834
Consultant Fees	55,000	65,900	56,750
Rent Expenses	28,805	0	0
Service Contracts	36,525	7,366	6,716
Fiduciary Insurance	<u>9,484</u>	<u>8,651</u>	<u>9,457</u>
Sub Total	<u>1,594,655</u>	<u>1,381,284</u>	<u>1,220,463</u>
Total Disbursements	<u><u>\$17,285,226</u></u>	<u><u>\$16,395,606</u></u>	<u><u>\$14,842,467</u></u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	\$177,896	\$180,774	\$110,711
Fixed Income	386,353	771,605	846,816
Equities	1,064,225	1,208,872	1,054,239
Pooled or Mutual Funds	4,165,769	2,691,370	2,032,253
Commission Recapture	<u>48,382</u>	<u>34,865</u>	<u>32,546</u>
Total Investment Income	<u>5,842,625</u>	<u>4,887,486</u>	<u>4,076,565</u>
Plus:			
Realized Gains	2,420,469	2,780,085	1,579,615
Unrealized Gains	20,418,585	16,992,630	10,990,708
Interest Due and Accrued - Current Year	<u>9,398</u>	<u>170,710</u>	<u>257,158</u>
Sub Total	<u>22,848,452</u>	<u>19,943,425</u>	<u>12,827,481</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(8,071)	(11,718)	(38,357)
Realized Loss	(2,378,927)	(1,515,638)	(2,273,943)
Unrealized Loss	(11,337,036)	(3,699,773)	(5,991,039)
Interest Due and Accrued - Prior Year	<u>(170,710)</u>	<u>(257,158)</u>	<u>(254,860)</u>
Sub Total	<u>(13,894,743)</u>	<u>(5,484,286)</u>	<u>(8,558,198)</u>
Net Investment Income	<u>14,796,334</u>	<u>19,346,625</u>	<u>8,345,848</u>
Income Required:			
Annuity Savings Fund	270,625	255,707	238,441
Annuity Reserve Fund	421,382	403,567	385,911
Military Service Fund	74	69	62
Expense Fund	<u>1,594,655</u>	<u>1,381,284</u>	<u>1,220,463</u>
Total Income Required	<u>2,286,736</u>	<u>2,040,627</u>	<u>1,844,877</u>
Net Investment Income	<u>14,796,334</u>	<u>19,346,625</u>	<u>8,345,848</u>
Less: Total Income Required	<u>2,286,736</u>	<u>2,040,627</u>	<u>1,844,877</u>
Excess Income To The Pension Reserve Fund	<u>\$12,509,599</u>	<u>\$17,305,998</u>	<u>\$6,500,971</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED *
Cash	\$1,297,397	0.7%	0-5%
Equities	73,645,054	40.0%	30-60%
Pooled Domestic Equity Funds	17,582,914	9.5%	30-60%
Pooled International Equity Funds	28,878,725	15.7%	5-20%
Pooled Global Fixed Income Funds	44,485,111	24.2%	15-35%
Pooled Alternative Investment Funds	3,466,562	1.9%	0-10%
Pooled Real Estate Funds	<u>14,807,410</u>	<u>8.0%</u>	5-15%
Grand Total	<u>\$184,163,174</u>	<u>100.0%</u>	

* based upon market value.

For the year ending December 31, 2007, the rate of return for the investments of the Taunton Retirement System was 8.52%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Taunton Retirement System averaged 11.69%. For the twenty-three year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Taunton Retirement System was 11.03%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Taunton Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

June 14, 2007

19.01(6)

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Taunton Contributory Retirement System (the "System") in the fund known as Fidelity Real Estate Growth Fund III, L.P. (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund.

1. While the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualifies as a "venture capital operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder. As such, the limitations and restrictions of 840 CMR Sections 16.00 et seq. and 17.00 et seq. shall not apply.

2. The limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund's initial investment.

March 13, 2007

16.08

The Taunton Retirement Board is authorized to invest in the Fidelity Real Estate Growth Fund III, now run under the umbrella of Pyramis Global Advisors Trust Company. The Board has been a satisfied investor in a predecessor Fidelity Real Estate Growth Fund, and the strategy and the portfolio management team are essentially the same. The Board has received over 100% of its original investment back from Fidelity (Pyramis) and is pursuing this investment in order to maintain its allocation to real estate. The manager has submitted the required regulatory documents.

February 14, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. Venture Partnership Fund IV, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as the INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, LP (the “Fund”), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as the INVESCO International Partnership Fund IV, LP (the “Fund”), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as the Institutional Retirement Trust (IRT) Equity Real Estate Securities Trust (the “Fund”), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemption 91-38, and other available class exemptions.

February 13, 2007

17.03

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Taunton Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as INVESCO Core Real Estate USA, LLC (the “Fund”), and effective

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a "venture capital operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

January 7, 2000

16.08

In accordance with PERAC Investment Guideline 99-3, the Taunton Retirement Board may invest in Boston Millennia Partners II, L.P. The board is an investor in Boston Millennia Partners I and has submitted the required documentation in support of this request.

September 24, 1998

19.01(7)(a)

Boards shall establish specifications and criteria for selection including:

(6) the range of fees that are considered tolerable, provided, however, that in no event shall a board retain a qualified investment manager whose fees is based on a percentage of committed capital, provided, however, that such a fee may be paid for one year after the partnership commences operations, and provided further, that such a fee is paid by all investors.

(6a) the Board, however, may retain Boston Millennia Partners and pay compensation according to the fee schedule submitted to PERAC provided that such a fee is paid by all investors.

March 24, 1994

20.04

All investments shall consist of recognized quality marketable securities issued by:

(1) United States based corporations and equities of foreign corporations.

20.07(5)

Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Taunton Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Taunton Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

August 2, 1999

Buy-Backs

All members who are eligible veterans may purchase military service under Chapter 71 of the Acts of 1996, in installments or in its entirety, up to the date of retirement.

May 28, 1998

Rules and Regulations

I. BOARD: Five (5) members as designated by M.G.L. Chapter 32.

II. STAFF: Executive Director, Assistant Director. Salaries and benefits as determined by vote of the Board. Hiring as determined by vote of the Board.

III. MEETINGS: Regular monthly meetings vary each month and are held in accordance with the open meeting law of the Commonwealth of Massachusetts.

Membership/Eligibility Requirements

A. Membership is mandatory for all full-time permanent employees.

B. Employees employed 20 or more hours per week are allowed membership in the retirement system.

C. Federal grant employees working at least 20 hours per week are considered members. Deductions are to be withheld from their salary as so long as said employees meet the eligibility requirements of the System.

Creditable Service

A. Credit will be granted on the basis of one (1) year credit for each year of service with the exception of seasonal employees who receive one (1) year credit for actual full-time service of no less than 7 months during any one calendar and elected officials are entitled to a full year of creditable service for the weeks served during his/her last calendar year as an elected official.

B. Full-time employees will receive full credit except in instance where full-time employees also had part-time service. Part-time service will then be prorated as it relates to the full-time position.

C. Part-time employees will receive full credit provided that they have not been a full-time/part-time employee as stated previously. An employee who has remained part-time constantly will receive the full credit and will be equitable with full-time employees. The deciding factor will be their earnings.

D. Five-year maximum credit will be allowed to reserve or permanent-intermittent police officers regardless of whether they are appointed as permanent members of the Police department (s. 4(2)(b)) and only if they gain employment in a qualified position becoming eligible for membership.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

E. Five-year maximum credit will be allowed to reserve firefighters regardless of whether they are appointed as permanent members of the Fire department (s. 4(2)(b)) and only if they gain employment in a qualified position becoming eligible for membership.

F. Five-year maximum credit will be allowed to permanent-intermittent firefighters only if they are later appointed as permanent members of the Fire department (s. 4(2)(b)).

Make-up Payments/Redeposits

A. Member may buy back CETA and EEA service with the City of Taunton provided that the employee gains employment in a qualified position becoming eligible for membership and provided that said service can be documented.

B. Make-up payments are allowed for members who previously worked less than part-time and were ineligible for membership. Credit will be prorated as it relates to the current position. Credit will only be given for actual service with the exception of seasonal employees who can buyback up to one-year credit for service not less than seven months in a calendar year.

C. The board, upon proper request and review, will determine how much creditable service, if any and make-up payments, if any, will be allowed for employment which is sporadic, temporary, and of a limited nature.

Disbursements of Funds

A. Disbursements shall be authorized by signatures of any two members of either our five-member board or the executive director or assistant director who is authorized to sign by the retirement board as per Chapter 32, s. 23(2).

Miscellaneous

A. Accidental disability applicants must be present when their application is reviewed by the board unless a medical reason exists that prevents them from being present.

B. Reserve or permanent-intermittent police officers and reserve, permanent intermittent, or call firefighters who are actually assigned to duty before being permanently appointed, may pay retirement deductions into the system (not to exceed five years).

C. Investments shall be made in accordance with M.G.L. Chapter 32 and PERAC Regulations 840 CMR for waived systems as amended.

October 8, 2002

Travel

The Board has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Ann Marie Hebert,
Chairperson

Appointed Member: Shauna McCarty Until successor is named.

Elected Member: Peter H. Corr Term Expires: 12/31/2010

Elected Member: Richard T. Avila Term Expires: 11/30/2008

Appointed Member: A. Joan Ventura Term Expires: 01/27/2009

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	MACRS Program
Ex-officio Member:)	\$50,000,000 Fiduciary Insurance
Elected Member:)	\$1,000,000 Fidelity Insurance
Appointed Member:)	Traveler's, National Union Fire and
Staff Employee:)	Arch Insurance Cos.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2006.

The actuarial liability for active members was	\$142,331,748
The actuarial liability for retired and inactive members was	<u>139,455,695</u>
The total actuarial liability was	281,787,443
System assets as of that date were	<u>192,018,134</u>
 The unfunded actuarial liability was	 <u>\$89,769,309</u>
The ratio of system's assets to total actuarial liability was	68.1%
As of that date the total covered employee payroll was	\$51,021,751

The normal cost for employees on that date was 8.60% of payroll

The normal cost for the employer was 5.90% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: Varies by Group and Year

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$192,018,134	\$281,787,443	\$89,769,309	68.1%	\$51,021,751	175.9%
1/1/2006	\$159,373,967	\$239,916,299	\$80,542,332	66.4%	\$47,703,996	168.8%
1/1/2004	\$134,562,661	\$202,033,980	\$67,471,319	66.6%	\$44,752,109	150.8%
1/1/2003	\$115,022,554	\$191,993,754	\$76,971,200	59.9%	\$46,332,199	166.1%
1/1/2002	\$118,245,712	\$184,646,872	\$66,401,160	64.0%	\$45,648,214	145.5%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	21	14	31	29	38	29	47	32	22	32
Ordinary Disability	0	1	0	0	1	0	3	0	0	2
Accidental Disability	3	4	2	2	3	2	5	7	8	3
Total Retirements	24	19	33	31	42	31	55	39	30	37
Total Retirees, Beneficiaries and Survivors	650	643	658	668	682	676	712	729	737	743
Total Active Members	1,039	1,066	1,066	1,148	1,147	1,102	1,102	1,142	1,148	1,150
Pension Payments										
Superannuation	\$4,124,947	\$4,454,186	\$5,150,772	\$5,598,747	\$5,967,899	\$6,564,745	\$7,137,961	\$7,950,869	\$8,434,366	\$8,810,350
Survivor/Beneficiary Payments	274,120	315,016	356,959	430,297	477,902	512,418	555,851	566,231	574,032	670,051
Ordinary Disability	130,357	135,546	164,217	153,092	163,250	140,840	144,597	157,959	186,813	202,653
Accidental Disability	1,250,547	1,269,796	1,368,207	1,467,184	1,472,979	1,593,773	1,691,134	1,692,748	2,145,905	2,052,563
Other	1,328,272	1,310,441	1,284,933	1,249,590	1,137,661	1,198,050	1,167,615	1,210,047	1,274,158	1,237,395
Total Payments for Year	<u>\$7,108,243</u>	<u>\$7,484,985</u>	<u>\$8,325,088</u>	<u>\$8,898,911</u>	<u>\$9,219,690</u>	<u>\$10,009,825</u>	<u>\$10,697,157</u>	<u>\$11,577,854</u>	<u>\$12,615,275</u>	<u>\$12,973,012</u>

PERAC

Five Middlesex Avenue | Suite 304

Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac